

Message Text

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ACTION AF-08

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SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-01
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P R 221700Z DEC 76
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC PRIORITY 1038
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY BUJUMBURA
AMEMBASSY LONDON
AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 10629

DEPT PASS TREASURY, EXIM, COMMERCE

E.O. 11652: GDS
TAGS: ECON CG
SUBJECT: PRESIDENT MOBUTU ADDRESSES LEGISLATIVE ASSEMBLY:
ECONOMIC REFORM

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1. SUMMARY: PRESIDENT MOBUTU ADDRESSED THE NATIONAL LEGISLATIVE ASSEMBLY DECEMBER 21, 1976 IN ORDER TO PRESENT THE GOVERNMENT BUDGET FOR 1977, WHICH HE CHARACTERIZED AS A "WAR" BUDGET. FOLLOWING UP ON PROMISES OF AUSTERITY WHICH HAD BEEN BROADCAST BY PRESS REPORTING AND EDITORIALS DURING THE PRECEDING DAYS, MOBUTU SPELLED OUT NUMEROUS PLANS TO REDUCE PUBLIC EXPENDITURES AND EXPAND GOVERNMENT RECEIPTS. MOBUTU ANNOUNCED HIS INTENTION TO PURSUE A SECOND STABILIZATION PROGRAM IN AGREEMENT WITH THE IMF AND ADMITTED THAT THE GRAVEST PROBLEMS WITH THE FIRST STABILIZATION PROGRAM HAD RESULTED FROM POOR MANAGEMENT OF THE
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PUBLIC BUDGET AND OF FOREIGN EXCHANGE EXPENDITURES. IN ORDER TO REDRESS THESE PROBLEMS, MOBUTU ANNOUNCED THAT THE FINANCE MINISTER WOULD HAVE TO APPROVE ALL PUBLIC EXPENDITURES BEFORE PAYMENT COULD BE EFFECTED, AND THAT FOREIGN EXCHANGE EXPEDITURES WOULD BE CONTROLLED BY A COMMITTEE OF SEVERAL GOZ ORGANIZATIONS.
END SUMMARY.

2. PRESIDENT MOBUTU APPEARED BEFORE THE BUDGET SESSION OF THE NATIONAL LEGISLATIVE ASSEMBLY ON DECEMBER 21, 1976 IN ORDER TO PRESENT THE GOZ'S 1977 BUDGET. DURING THE PRECEDING DAYS, THE NATIONAL EXECUTIVE COUNCIL HAD DISCUSSED THE BUDGET AND NEWSPAPER ARTICLES AND EDITORIALS IN KINSHASA'S TWO GOVERNMENT-OWNED DAILIES HAD HIGHLIGHTED THE IMPORTANCE THE GOVERNMENT ATTACHED TO THE SPEECH. THESE ADVANCE REPORTS EMPHASIZED THE AUSTERITY WHICH THE BUDGET ENTAILED, AND REPEATED THE "WAR BUDGET" DESCRIPTION APPLIED LAST YEAR TO THE 1976 BUDGET. IN HIS ADDRESS, THE PRESIDENT ACTUALLY AVOIDED DIRECT REFERENCE TO THE BUDGET (INDEED, THE 1977 BUDGET HAS NOT BEEN MADE AVAILABLE) BUT FOCUSED ON A SERIES OF CHANGES DESIGNED TO IMPROVE THE GOZ'S ECONOMIC PERFORMANCE.

3. PRESIDENT MOBUTU ANNOUNCED HIS INTENTION TO PUT INTO OPERATION, IN AGREEMENT WITH THE IMF, A SECOND STABILIZATION PROGRAM, BASED ON (1) PUBLIC FINANCE MANAGEMENT, (2) WISE USE OF FOREIGN EXCHANGE, (3) SOUND BUSINESS MANAGEMENT, (4) PLANNING. HE ADMITTED THAT THE MOST SEVERE PROBLEMS WITH THE STABILIZATION PROGRAM HAD BEEN THE MANAGEMENT OF THE GOVERNMENT'S BUDGET AND THE MANAGEMENT OF FOREIGN EXCHANGE. THE PLANNING OFFICE (SERVICE DU PLAN, UNDER THE BUREAU OF THE PRESIDENCY) HAS BEEN ORDERED TO PREPARE A LONG-TERM PROGRAM CONCERNING THE KIND OF SOCIETY TO BUILD IN ZAIRE, FOR PRESENTATION TO THE POLITICAL BUREAU AND SUBSEQUENTLY TO THE SECOND ORDINARY CONGRESS OF THE MPR (ZAIRE'S SINGLE POLITICAL PARTY). IN THE NEAR TERM, THE PLANNING OFFICE IS ALSO TO PLAY A ROLE IN THE COUNTRY'S CURRENT ECONOMIC MANAGEMENT, AND ALL STATE ORGANIZATIONS ARE TO WORK IN CLOSE COLLABORATION WITH THE PLANNING OFFICE.

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4. PRESIDENT MOBUTU DELINEATED A NUMBER OF MEASURES DESIGNED TO LIMIT PUBLIC EXPENDITURES:

(A) THE GOVERNMENT'S WORK FORCE WILL BE STABILIZED AT THE 1976 LEVEL, WITH SALARY EXPENSES BEING FROZEN AT THIS YEAR'S LEVEL.

(B) THE EFFECTIVENESS OF PUBLIC EXPENDITURES WILL BE VERIFIED (TO BE PARTICULARLY SEVERE ON THE DEPARTMENT OF NATIONAL EDUCATION).

(C) NO DEPARTMENTAL REORGANIZATIONS WILL BE ALLOWED UNLESS THEY CAN SHOW A BUDGETARY SAVING.

(D) MISSIONS, WHETHER TO THE COUNTRY'S INTERIOR OR ABROAD, WILL BE LIMITED IN DURATION AND SIZE. ALL GOVERNMENTAL ORGANIZATIONS ARE TO FORWARD TO THE DEPARTMENT OF FINANCE DETAILS OF SUCH TRAVEL; EXPENDITURES WILL NOT BE AUTHORIZED UNTIL AFTER THE PRESIDENT'S APPROVAL HAS BEEN OBTAINED.

(E) PAYMENTS WILL BE MADE ONLY FOR WORK ACTUALLY PERFORMED FOR THE STATE: PEOPLE'S COMMISSIONERS WILL BE PAID ONLY WHEN THE NATIONAL LEGISLATIVE ASSEMBLY IS IN SESSION; STUDENTS WILL RECEIVE THEIR BOURSE D'ETUDES ONLY DURING SCHOOL MONTHS, NOT DURING

VACATIONS.

(F) THE MINISTER OF FINANCE IS TO BE THE ONLY OBLIGATING AUTHORITY IN THE GOZ; THE BANK OF ZAIRE IS ORDERED NOT TO EXECUTE PAYMENT ORDERS WITHOUT THE AGREEMENT OF THE FINANCE MINISTER.

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DEPT PASS TREASURY, EXIM, COMMERCE

(G) ALL GOVERNMENT CONTRACTS ABOVE A CERTAIN VALUE (TO BE DECIDED BY THE STABILIZATION COMMITTEE) WILL BE OFFERED TO NATIONAL OR INTERNATIONAL COMPETITION.

(H) EACH STATE ORGANIZATION WILL LAY OUT A QUARTERLY PROGRAM FOR THE USE OF ITS BUDGETARY ALLOCATION, IN COLLABORATION WITH THE SERVICE DU PLAN, WHICH IT WILL PRESENT TO THE DEPARTMENT OF FINANCE. IN TURN, FINANCE WILL PRESENT THE PRESIDENT WITH A PLAN SHOWING THE GOVERNMENT'S EXPENDITURES IN FOREIGN EXCHANGE AND THE MONTHLY BUDGETARY PERFORMANCE.

(I) THE DEPARTMENT OF PORTFOLIO IS TO PREPARE A STUDY TO DETERMINE WHICH PARASTATAL ORGANIZATIONS SHOULD LOSE SUBSIDIES, EITHER DUE TO THEIR NON-ESSENTIAL CHARACTER OR BECAUSE THEIR DEFICITS RESULT FROM POOR MANAGEMENT.

(J) FINANCE HAS BEEN ASKED TO PREPARE AN AMORTIZATION PLAN FOR PAYING OFF THE GOZ'S ARREARAGES. (NOTE: THIS APPEARS TO REFER TO DOMESTIC GOZ ARREARAGES.)

(K) FOREIGN EXCHANGE. DURING 1977, A COMMITTEE INCLUDING
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THE BANK OF ZAIRE, FINANCE DEPARTMENT, DEBT MANAGEMENT OFFICE, AND THE PLANNING OFFICE WILL DETERMINE EACH WEEK THE USE OF ZAIRE'S FOREIGN EXCHANGE (I.E., THIS COMMITTEE WILL PRESENT FOR THE PRESIDENT'S APPROVAL THE PROGRAM OF FOREIGN EXCHANGE PAYMENTS).

(L) ZAIRE'S DIPLOMATS WILL RECEIVE A LUMP SUM PAYMENT RATHER THAN FREE HOUSING, MEDICAL CARE, AND PHARMACEUTICALS.

(M) THE DEBT MANAGEMENT OFFICE WILL HAVE TO APPROVE ALL GOVERNMENT INDEBTEDNESS.

5. IN ORDER TO INCREASE GOVERNMENT RECEIPTS, PRESIDENT MOBUTU ANNOUNCED:

(A) THE GOZ INTENDED TO RAISE ITS RECEIPTS FROM JUDICIARY AND PROPRIETARY FEES.

(B) NEW TAXES ON RADIOS, TELEVISION, AND DRIVERS.

(C) IMPROVED CUSTOMS PERFORMANCE WAS NECESSARY.

6. MOBUTU THEN GAVE A QUICK OVERVIEW OF THE PAST AND FUTURE. HE NOTED THAT HE HAD EXPECTED THE LAW ON THE SPECIAL EFFORT FOR NATIONAL DEVELOPMENT TO LEAD TO INCREASED PRODUCTION, NOT SIMPLY RETURNING THE UNEMPLOYED TO THE COUNTRYSIDE. QUICKLY REVIEWING THE NON-SUCCESS OF ZAIRIANIZATION AND RADICALIZATION, MOBUTU SAID THAT THE RETROCESSION DECISION WAS THE RIGHT FORMULA AND PROMISED A LAW TO CONFIRM RETROCESSION. TURNING TO AGRICULTURE, HE NOTED THAT THE SERVICE DU PLAN WAS PREPARING A PLAN FOR ENCOURAGING AGRICULTURAL INVESTMENT. FURTHER, THAT THE PRESIDENTIAL FARM, DOMAINE DE LA NSELE, WOULD IN A YEAR AND A HALF BE ABLE TO PRODUCE ENOUGH CHICKEN AND EGGS TO STOP THEIR IMPORTATION. IN A PARALLEL VEIN, MOBUTU ANNOUNCED THAT IT HAD BEEN DECIDED THAT ZAIRE WOULD BECOME SELF-SUFFICIENT IN RICE BY 1978 AND IN CORN BY 1979. THE DEPARTMENT OF AGRICULTURE IS ALSO SUPPOSED TO BE PREPARING COFFEE PRICE STABILIZATION FUND. MOBUTU THEN TURNED TO THE PRICE OF PETROLEUM AND CLAIMED THAT DUE TO VARIOUS ADDED COSTS ZAIRE ACTUALLY FACED A 40 PERCENT INCREASE.

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7. COMMENT: THE DEPARTMENT WILL RECALL (KINSHASA 10395) THAT THE IMF'S "PRECONDITION" FOR A SECOND STANDBY WAS THE MOBUTU SET UP AN ECONOMIC/FINANCIAL DECISION-MAKING SYSTEM WHEREBY THOSE RESPONSIBLE FOR PROSECUTING THE STABILIZATION PLAN WOULD HAVE THE AUTHORITY TO SEE TO IT THAT THE STANDBY CONDITIONS, NOTABLY

BUDGET AND FX CEILINGS, WERE RESPECTED. RUSSO HAD GIVEN AS EXAMPLES THAT THE MINISTER OF FINANCE AND THE GOVERNOR OF THE CENTRAL BANK SHOULD HAVE SUCH AUTHORITY. MOBUTU'S DECEMBER 20 SPEECH, IN EFFECT, ACCEPTED THE IMF PRECONDITION, BUT ON HIS OWN TERMS. HE HAD LITTLE ALTERNATIVE TO AGREEING THAT THE MINISTER OF FINANCE SHOULD SIGN OFF ON ALL PAYMENT ORDERS, BUT HE SEEMS TO HAVE FOUND A WAY, THROUGH A COMMITTEE SYSTEM SUBJECT TO HIS OWN APPROVAL, TO AVOID SUCH AUTHORITY BEING PLACED IN GOVERNOR SAMBWA'S HANDS FOR FOREIGN EXCHANGE. MOREOVER, MOBUTU PLACED BISENGIMANA'S SERVICE DU PLAN IN THE CATBIRD SEAT FOR THE PROSECUTION OF THE STABILIZATION EFFORT. THUS MOBUTU HAS AGREED TO SET UP THE SYSTEM REQUIRED BY THE FUND, BUT HAS DONE SO IN SUCH A WAY AS TO KEEP BOTH OPERATING AND FINAL AUTHORITY IN HIS OWN HANDS.

8. IT IS STILL TOO EARLY TO ASSESS THE FULL MEANING OF MOBUTU'S NEW PLAN. ONE GOZ MINISTER HAS ALREADY EXPRESSED TO US MISGIVINGS ABOUT IT, NOTING THAT THE PROBLEMS OF OVERSPENDING AND POOR PRIORITIES HAVE ALWAYS BEEN IN THE PRESIDENCY ITSELF AND THIS SYSTEM WILL MERELY PERPETUATE THAT. THE MINISTER MAY BE RIGHT, BUT MOBUTU IS IN A POSITION TO SAY THAT HE HAS NOW UNDERSTOOD THE GRAVITY OF HIS SITUATION AND BY TAKING CONTROL OF THE PROCESS HIMSELF, HE WILL SEE TO IT THAT THE STANDBY CONDITIONS ARE RESPECTED. AS MOBUTU SAID TODAY TO AN AMERICAN BUSINESSMAN "YOU'LL SEE. I WILL BE MUCH TOUGHER THAN THE IMF CONDITIONS CALL FOR." AND THIS MAY BE THE DILEMMA FACING THE FUND. IF THE IMF WERE TO ARGUE THAT MOBUTU'S NEW SYSTEM IS NOT SUFFICIENT, THEY WOULD BE SAYING THEY DON'T ACCEPT THE PRESIDENT'S WORD.

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9. WE WILL CONTINUE TO ANALYZE THE SPEECH AND WILL SUBMIT FURTHER COMMENTS AS WE GET MORE REACTIONS. IN THE MEANTIME, WE WOULD BE INTERESTED IN THE IMF'S REACTION.
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